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Our ref: IM-70966
Contact officer: Will Sommers / Braeden Smith
Contact phone: (03) 9910 9444 / (02) 6243 4936

29 January 2021

Dear Interested Party

Re: Request for submissions: NAB's proposed acquisition of 86 400

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of **86 400** by **NAB** (the **proposed acquisition**).

86 400 is an internet only or digital bank which operates through a smartphone application only and does not have any physical branches. **86 400** provides its customers with transaction and savings accounts and home loans. **NAB** is a major Australian full service bank. Further details are provided at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- whether **86 400** plays a critical role in the market by providing competitive products or better service and infrastructure to customers not otherwise available
- whether **86 400** is uniquely placed to provide significant future competition to the major banks
- the likelihood of other banks with a similar business model and product offering, or other non-bank lenders, entering and expanding in Australia

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by **5pm on 26 February 2021** via email with the title *Submission re: NAB/86400 - attention Will Sommers/Braeden Smith*.

If you would like to arrange a time to discuss the matter with ACCC officers, or have any

questions about this letter, please contact Will Sommers on (03) 9910 9444 or Braeden Smith on (02) 6243 4936.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Sharon Deano
Executive Director
Merger Investigations

Attachment A

NAB

NAB is an ASX listed diversified financial services organisation (ASX:NAB). NAB's core retail banking business operates under the NAB brand and includes hundreds of physical branches across Australia, as well as online browser-based banking facilities and smartphone applications. UBank is NAB's online only bank brand. NAB offers a broad range of financial products and services, including transaction and savings accounts, and business and home loans.

86 400

86 400 is a digital bank headquartered in Sydney. 86 400 does not operate a physical branch network, or online browser-based banking facilities, with the key customer interface being the 86 400 smartphone application. 86 400 has offered online transaction and savings accounts since September 2019, and launched a home loan product sold through a network of selected brokers in November 2019. 86 400 is majority owned by Cuscal Ltd, one of Australia's largest independent payments providers.

Attachment B

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationship/s with either of NAB or 86 400.

Competition provided by online only/digital banks and non-bank lenders

3. Please identify and describe alternative online only/digital banks (or neobanks) and non-bank lenders to 86 400.
 - a. In your description of alternatives, please describe their product ranges (including deposits and home loan products), scale, brand recognition, product quality or service standards.
 - b. Please describe the extent to which the alternatives identified compete with the major banks, for example by way of price discounting, promotional activity, product innovation and offering (including deposits and home loan products), or investment in new technologies.
4. Are the products or services that online only/digital banks and non-bank lenders offer different from traditional banks? And has their presence, with particular consideration to 86 400, impacted competition for the provision of banking services?
5. Do you consider 86 400 is uniquely placed to provide significant future competition to the major banks? If so, please explain why.

New entry

6. Please describe the difficulties facing an online only/digital bank entering and/or expanding in Australia, and becoming profitable. Where possible, please comment on the time and costs to build a digital banking platform, obtain a banking licence and build a brand to attract customers.
7. Please describe the difficulties in creating a profitable consumer lending/deposit business. In your answer, please consider the effect of regulatory requirements on the prospects of successful entry by an online only/digital bank or non-bank lender, for example, the Prudential Capital Requirements for authorised deposit-taking institutions set by the Australian Prudential Regulation Authority (APRA).
8. Please comment on the effects of economies of scale on operating as an online only/digital bank or non-bank lender, and the minimum efficient scale of market entry.
9. Please identify any potential new entrants in the market and address the likelihood of successful new entry.

Other

10. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition.